

BEFORE THE COMMISSION FOR COMMON-INTEREST  
COMMUNITIES AND CONDOMINIUM HOTELS  
STATE OF NEVADA

JOSEPH (J.D.) DECKER, Administrator,  
REAL ESTATE DIVISION, DEPARTMENT  
OF BUSINESS & INDUSTRY,  
STATE OF NEVADA,

Petitioner,

vs.

LAUREL CANYON HOMEOWNERS  
ASSOCIATION; JAMES SCHUMANN; AND  
ROBERT VALENTINE,

Respondents.

Case Nos. 2015-1360;  
2015-1361; and  
2015-1363

FILED

DEC 17 2015

NEVADA COMMISSION ON  
COMMON INTEREST COMMUNITIES  
AND CONDOMINIUM HOTELS

COMPLAINT FOR DISCIPLINARY  
ACTION AND NOTICE OF HEARING

The Real Estate Division of the Department of Business and Industry, State of Nevada (the "Division"), by and through its counsel, Adam Paul Laxalt, Attorney General of the State of Nevada, and Michelle D. Briggs, Senior Deputy Attorney General, hereby notifies Respondents LAUREL CANYON HOMEOWNERS ASSOCIATION, JAMES SCHUMANN, and ROBERT VALENTINE of an administrative hearing before the Commission for Common-Interest Communities and Condominium Hotels, State of Nevada, which is to be held pursuant to Chapters 233B and 116 of the Nevada Revised Statutes ("NRS") and Chapter 116 of the Nevada Administrative Code ("NAC"). The purpose of the hearing is to consider the allegations stated below and to determine if an administrative penalty will be imposed on the RESPONDENTS pursuant to the provisions of NRS and NAC including, but not limited to, NRS 116.785 and NRS 116.790.

///

///

///

**JURISDICTION AND NOTICE**

1  
2 1. During the relevant times mentioned in this complaint, RESPONDENTS JAMES  
3 SCHUMANN and ROBERT VALENTINE act as if they are officers and directors of LAUREL  
4 CANYON HOMEOWNERS' ASSOCIATION (the "ASSOCIATION"), which governs a common  
5 interest community located in Las Vegas, Nevada.

6 2. RESPONDENTS are subject to the provisions of Chapter 116 of each the  
7 Nevada Revised Statutes ("NRS") and the Nevada Administrative Code ("NAC") (hereinafter  
8 collectively referred to as "NRS 116") and are subject to the jurisdiction of the Division, and  
9 the Commission for Common-Interest Communities and Condominium Hotels pursuant to the  
10 provisions of NRS 116.750.

**FACTUAL ALLEGATIONS**

11  
12 3. In March, 2014, the Division received a statement of fact against the  
13 ASSOCIATION'S prior community manager JEFFREY FREDERICK filed by board member,  
14 Dov Erlichman.

15 4. JEFFREY FREDERICK had been terminated in 2013 and Kevin Ruth was  
16 hired.

17 5. The Division received inadequate responses from the community manager,  
18 JEFFREY FREDERICK.

19 6. At issue in the investigation was the procedure by which an election was held  
20 whereby RESPONDENTS JAMES SCHUMANN and ROBERT VALENTINE were elected to  
21 the board sometime in February 2014.

22 7. At the end of March 2014, Kevin Ruth was notified by Penny D. Frederick that  
23 his services were terminated and that PW James Management & Consulting, LLC was the  
24 new manager.

25 8. Penny D. Frederick is not a licensed community manager, and she is JEFFREY  
26 FREDERICK's wife.

27 9. Board member, Dov Erlichman, was unaware that the election took place or of  
28 any board meetings with RESPONDENTS SCHUMANN and VALENTINE to change

1 management companies.

2 10. In July 2014, the Secretary of State's records were updated to include  
3 RESPONDENTS SCHUMANN and VALENTINE as board members and officers, but the  
4 Division received no such notification.

5 11. The last registration form filed with the Division was dated March 2014 and was  
6 filed by Kevin Ruth.

7 12. By letter dated April 9, 2015, the Division requested a response from  
8 RESPONDENTS SCHUMANN and VALENTINE regarding how they became board  
9 members.

10 13. The Division's letter requests documents regarding the election in February  
11 2014 whereby both RESPONDENTS SCHUMANN and VALENTINE were elected, including  
12 all election materials.

13 14. Receiving no response, the Division sent a follow-up letter to both  
14 RESPONDENTS SCHUMANN and VALENTINE dated April 24 and another dated May 22,  
15 2015.

16 15. By letter dated June 5, but received by the Division on June 22, 2015,  
17 RESPONDENT VALENTINE responded by saying he believed "management" responded on  
18 his behalf and that he was "unable" to provide any information. He referred the investigator to  
19 unspecified "court orders and documents."

20 16. RESPONDENT VALENTINE then questions the investigator's involvement in  
21 the investigation alleging she cannot be impartial based on emails copied to her from the  
22 complainant.

23 17. By letter also dated June 5, but received by the Division on July 2, 2015,  
24 RESPONDENT SCHUMANN responded with almost the exact same letter.

25 18. Both letters have a return address of PW James Management.

26 19. By letter dated June 22, the Division noticed RESPONDENT VALENTINE that  
27 the records requested are ASSOCIATION records and that the manager had not responded  
28 on his behalf.

1           20.    The Division sent the same letter dated July 8 to RESPONDENT SCHUMANN.

2           21.    The Division received no further response from RESPONDENTS SCHUMANN  
3 and VALENTINE.

4           22.    The Division sent a final letter to RESPONDENTS SCHUMANN and  
5 VALENTINE to notify them that the case would be referred to the Commission.

6           23.    RESPONDENT VALENTINE refused to accept delivery of the certified letter  
7 from the Division.

8           24.    The Division obtained filed court documents through its attorney for a case  
9 involving the ASSOCIATION and PW James Management & Consulting.

10          25.    As exhibits to an Opposition filed by PW James Management & Consulting,  
11 RESPONDENTS SCHUMANN and VALENTINE submitted their declarations.

12          26.    According to the declarations of RESPONDENTS SCHUMANN and  
13 VALENTINE, they were candidates in the election which was to be held in January 2014.

14          27.    The January 2014 election was challenged by the ASSOCIATION in court for  
15 alleged misconduct by PW James Management and did not take place as planned.

16          28.    On or about February 13, 2014, RESPONDENTS SCHUMANN and  
17 VALENTINE state that they went to PW James Management and asked Penny Frederick to  
18 turn over the ballots to them.

19          29.    Both RESPONDENTS SCHUMANN and VALENTINE say they had the support  
20 of the owners to call a special meeting to have the ballots opened.

21          30.    According to NRS 116.3108, a special meeting of the owners can be called by a  
22 petition signed by 10% of the owners; the ASSOCIATION consists of 354 units, so 36 owners  
23 would be required to sign the petition.

24          31.    The petition – attached to the declarations – allegedly signed by homeowners  
25 reflects 29 names.

26          32.    NRS 116.3108 requires that the petition be provided to the board and that the  
27 board would call the meeting.

28          33.    Neither the current manager at that time or the board was notified of the petition

1 or the meeting.

2 34. NRS 116.3108 requires no less than 15 days' notice of the special owners  
3 meeting.

4 35. RESPONDENTS SCHUMANN and VALENTINE say they posted notice of the  
5 owners meeting on February 15 for a meeting on February 17, 2014.

6 36. According to the Declarations of RESPONDENTS SCHUMANN and  
7 VALENTINE, the meeting took place on February 17 at which JEFFERY FREDERICK  
8 handed the returned ballots to RESPONDENTS SCHUMANN and VALENTINE.

9 37. According to the Declarations, RESPONDENT SCHUMANN is "still in  
10 possession of the original Ballots" and RESPONDENT VALENTINE videotaped the opening  
11 and tabulation of the Ballots and offers to "bring a copy of the video to Court."

12 38. Once on the board, RESPONDENTS SCHUMANN and VALENTINE ostracized  
13 board member Dov Erlichman by making and passing a motion to exclude him from certain  
14 decision making and moving the next election in an effort to have him replaced.

15 39. RESPONDENTS SCHUMANN and VALENTINE have meetings and conduct  
16 ASSOCIATION business without notice to board member Dov Erlichman.

17 40. The Division received an annual registration form on November 2, 2015 that  
18 states JEFFREY FREDERICK is the community manager and RESPONDENTS SCHUMANN  
19 and VALENTINE, along with Dov Erlichman are the board members.

20 41. The form shows the ASSOCIATION'S last reserve study was done in 2009.

21 42. The form, signed by JEFFREY FREDERICK, states that Division Form 602 was  
22 signed by all board members and provided to the Division.

23 43. The Division has not received Form 602 from RESPONDENTS SCHUMANN  
24 and VALENTINE.

25 **VIOLATIONS OF LAW**

26 44. RESPONDENTS SCHUMANN and VALENTINE violated NRS 116.3108 by  
27 calling a special meeting of the owners without 10% of the owners requesting such a meeting  
28 and without proper notice to the board and to the owners.

1           45.     RESPONDENTS SCHUMANN and VALENTINE violated NRS 116.31034(11)(f)  
2 by taking possession of the ballots as candidates in the election prior to the ballots being  
3 opened and counted at a meeting.

4           46.     RESPONDENTS SCHUMANN and VALENTINE violated NRS 116.3103  
5 (through NAC 116.405(1)) by acting outside the scope of the authority granted in the  
6 governing documents by calling a special meeting of the owners contrary to the requirements  
7 of NRS 116.3108 and taking action on behalf of the ASSOCIATION when they were not  
8 properly elected.

9           47.     RESPONDENTS SCHUMANN and VALENTINE violated NRS 116.3103  
10 (through NAC 116.405(2)) by acting for reasons of self-interest, gain, prejudice or revenge by  
11 deliberately failing to notice board member Dov Erlichman of meetings and decisions of the  
12 board.

13           48.     RESPONDENTS SCHUMANN and VALENTINE violated NRS 116.3103  
14 (through NAC 116.405(3)) by committing acts and omissions which amount to incompetence,  
15 negligence or gross negligence by failing to properly register with the Division, by taking  
16 action on behalf the ASSOCIATION, and by excluding the third board member from decision  
17 making.

18           49.     RESPONDENTS SCHUMANN and VALENTINE violated NRS 116.3103  
19 (through NAC 116.405(5)(a)) by impeding or otherwise interfering with an investigation by the  
20 Division by failing to comply with multiple requests from the Division to provide information  
21 and documents.

22           50.     RESPONDENTS SCHUMANN and VALENTINE violated NRS 116.3103  
23 (through NAC 116.405(5)(c)) by impeding or otherwise interfering with an investigation by the  
24 Division by concealing facts and documents relating to the business of the ASSOCIATION.

25           51.     RESPONDENTS SCHUMANN and VALENTINE violated NRS 116.3103  
26 (through NAC 116.405(7)) by failing to cooperate with the Division to resolve complaints filed  
27 with the Division.

28           52.     RESPONDENTS SCHUMANN and VALENTINE violated NRS 116.3103

(through NAC 116.405(8)(l)) by failing to cause the ASSOCIATION to cooperate with the Division to resolve complaints filed with the Division.

**DISCIPLINE AUTHORIZED**

Pursuant to the provisions of NRS 116.615; NRS 116.755; NRS 116.785; and NRS 116.790 the Commission has discretion to take any or all of the following actions:

1. Issue an order directing RESPONDENTS to cease and desist from continuing to engage in the unlawful conduct that resulted in the violation.

2. Issue an order directing RESPONDENTS to take affirmative action to correct any conditions resulting from the violation.

3. Impose an administrative fine of up to \$1,000 for each violation by RESPONDENTS.

4. IF RESPONDENTS ARE FOUND TO HAVE KNOWINGLY AND WILLFULLY COMMITTED A VIOLATION of NRS or NAC 116 AND it is in the best interest of the ASSOCIATION, such RESPONDENTS may be removed from his/her position as a director and/or officer.

5. Order an audit of the ASSOCIATION, at the expense of the ASSOCIATION.

6. Require the BOARD MEMBERS to hire a community manager who holds a certificate.

7. Require RESPONDENTS to pay the costs of the proceedings incurred by the Division, including, without limitation, the cost of the investigation and reasonable attorney's fees.

8. Take whatever further disciplinary action as the Commission deems appropriate.

The Commission may order one or any combination of the discipline described above. If the Commission finds that the RESPONDENTS knowingly and willfully violated the provisions of NRS or NAC 116, the Commission may order that RESPONDENTS be personally liable for all fines and costs imposed.

## **NOTICE OF HEARING**

**PLEASE TAKE NOTICE**, that a disciplinary hearing has been set to consider this Administrative Complaint against the above-named RESPONDENTS in accordance with Chapters 233B and 116 and 116A of the Nevada Revised Statutes and Chapters 116 and 116A of the Nevada Administrative Code.

**THE HEARING WILL TAKE PLACE** on February 2-4, 2016 beginning at 9:00 a.m. each day or until such time as the Commission concludes its business. **The Commission meeting on February 2, 2016, will be located at the Department of Business and Industry, 2501 E. Sahara Avenue, 2<sup>nd</sup> Floor Conference Room, Las Vegas Nevada 89104, with videoconferencing to the Department of Business and Industry, Director's Office, 1830 East College Parkway, Suite 100, Carson City, Nevada 89706. The Commission meeting on February 3, 2016, will be located at the Nevada Department of Employment Training and Rehabilitation, 2800 East St. Louis Avenue, Conference Room A-C, Las Vegas, Nevada 89104, with videoconferencing to the Nevada Department of Employment Training and Rehabilitation, 500 East Third Street, Carson City, Nevada 89713. The Commission meeting on February 4, 2016, will be located at the Department of Business and Industry, 2501 E. Sahara Avenue, 2<sup>nd</sup> Floor Conference Room, Las Vegas Nevada 89104, with no videoconferencing.**

**STACKED CALENDAR:** Your hearing is one of several hearings that may be scheduled at the same time as part of a regular meeting of the Commission that is expected to take place on February 2-4, 2016. Thus, your hearing may be continued until later in the day or from day to day. It is your responsibility to be present when your case is called. If you are not present when your hearing is called, a default may be entered against you and the Commission may decide the case as if all allegations in the complaint were true. If you need to negotiate a more specific time for your hearing in advance because of coordination with out of state witnesses or the like, please call Claudia Rosolen, Commission Coordinator, at (702) 486-4606.

**YOUR RIGHTS AT THE HEARING:** Except as mentioned below, the hearing is an



1 open meeting under Nevada's open meeting law, and may be attended by the public. After  
2 the evidence and arguments, the commission may conduct a closed meeting to discuss your  
3 alleged misconduct or professional competence. A verbatim record will be made by a  
4 certified court reporter. You are entitled to a copy of the transcript of the open and closed  
5 portions of the meeting, although you must pay for the transcription.

6 As a RESPONDENT, you are specifically informed that you have the right to appear  
7 and be heard in your defense, either personally or through your counsel of choice. At the  
8 hearing, the Division has the burden of proving the allegations in the complaint and will call  
9 witnesses and present evidence against you. You have the right to respond and to present  
10 relevant evidence and argument on all issues involved. You have the right to call and  
11 examine witnesses, introduce exhibits, and cross-examine opposing witnesses on any matter  
12 relevant to the issues involved.

13 You have the right to request that the Commission issue subpoenas to compel  
14 witnesses to testify and/or evidence to be offered on your behalf. In making this request, you  
15 may be required to demonstrate the relevance of the witness' testimony and/or evidence.  
16 Other important rights and obligations, including your obligation to answer the complaint, you  
17 have are listed in NRS Chapter 116 and NAC Chapter 116, including without limitation, NRS  
18 116.770 through 116.780, and NAC 116.500 through NAC 116.635 and NRS Chapter 233B.

19 Note that under NAC 116.575, not less than five (5) working days before a hearing,  
20 RESPONDENTS must provide to the Division a copy of all reasonably available documents  
21 that are reasonably anticipated to be used to support his position, and a list of witnesses  
22 RESPONDENTS intend to call at the time of the hearing. Failure to provide any document or  
23 to list a witness may result in the document or witness being excluded from RESPONDENTS'  
24 defense. The purpose of the hearing is to determine if the RESPONDENTS have violated the

25 ///

26 ///

27 ///

1 provisions of NRS and NAC 116, and to determine what administrative penalty is to be  
2 assessed against RESPONDENTS.

3 DATED this 16<sup>th</sup> day of December, 2015.

4  
5 REAL ESTATE DIVISION  
6 DEPARTMENT OF BUSINESS & INDUSTRY  
7 STATE OF NEVADA

8 By: 

9 JOSEPH (J.D.) DECKER, Administrator  
10 2501 East Sahara Avenue  
11 Las Vegas, Nevada 89104  
12 (702) 486-4033

13 ADAM PAUL LAXALT  
14 Attorney General

15 By: 

16 MICHELLE D. BRIGGS  
17 Senior Deputy Attorney General  
18 555 East Washington Ave., Suite 3900  
19 Las Vegas, Nevada 89101  
20 (702) 486-3809  
21 Attorneys for Real Estate Division  
22  
23  
24  
25  
26  
27  
28